



February 7, 2005

Charles L. A. Terreni, Esquire
Chief Clerk/Administrator
The Public Service Commission of South Carolina
P. O. Drawer 11649
Columbia, South Carolina 29211

RE: Docket No. 2004-178-E/Generic Docket to Consider Competitive
Resource Procurement

Dear Mr. Terreni:

Docket No. 2004-178-E concerns South Carolina Electric & Gas Company's ("SCE&G") request for a general rate increase. Therefore, Progress Energy Carolinas, Inc. ("PEC") did not have a substantial interest in the proceeding and had no reason to believe that the Commission's decision in this matter would affect PEC. However, as a result of Columbia Energy, LLC's (a subsidiary of Calpine) request that SCE&G be required to use a competitive bidding process for all future resource additions, the Commission ruled in Order No. 2005-2, that "the Commission will open a generic docket to explore a formal RFP process for utilities that are considering alternatives for adding generating capacity." Calpine then filed a petition for reconsideration of Order No. 2005-2 asserting that such generic proceeding must be in the form of a rulemaking. Given this turn of events, PEC will be materially impacted by the Commission's action in this regard, thus PEC asks the Commission to consider this letter in ruling upon Calpine's petition and determining if, when and how to initiate a generic proceeding.

Calpine's position is correct only if the Commission intends to adopt a rule of general applicability as a result of the generic proceeding. But, that is not what the Commission indicated in its Order No. 2005-2 and, in fact, would be judicially inefficient. The Commission and the parties do not need to start working on a rule until we have determined that a rule is needed. Rather, as the Commission said in its Order, the proper first step is to open a generic docket to explore a formal RFP process for utilities that are considering alternatives for adding generating capacity. The Commission should afford all interested parties an opportunity to describe: under what circumstances a utility should engage in a competitive bidding process, the costs of doing so; the pros and cons associated with doing so; and, in general, how a request for bids process should be structured. The Commission would afford all interested parties an opportunity to file initial comments and reply comments regarding these issues. Once the commenting process is complete, then the Commission can decide the proper next steps.

Thank you for your consideration of this letter in rendering your decision.

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Sincerely,

Len S. Anthony
Deputy General Counsel – Regulatory Affairs

Attachments

cc: All parties of record

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